

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 5, 2008
POSITION: Oppose unless amended

BILL NUMBER: SB 1627
AUTHOR: P. Wiggins
RELATED BILLS: SB 1217 (Yee)

BILL SUMMARY: Pilot Commissioners - Transfer to BTH Agency

This bill would: (1) move the Board of Pilot Commissioners (Board) under the oversight of the Business, Transportation and Housing Agency (BTHA), (2) require a financial and performance audit of Board operations by the Bureau of State Audits (BSA), and (3) establish two funds designated for pilot training and continuing education.

FISCAL SUMMARY

While the BTHA has identified a need for 3 positions and \$1 million special funds to provide oversight of the Board, we estimate that moving the Board under the oversight of the BTHA, would only require one position and approximately \$200,000 special funds. This funding level is also consistent with other Agency oversight structures. Any request for resources as a result of this bill would be subject to review and approval through the annual budget process.

It is estimated that the audits conducted by the BSA would require approximately \$450,000 Board of Pilot Commissioners' Special Fund on a one-time basis. There are adequate reserves to pay for the one-time audit costs; however, we note that a direct appropriation from the special fund is inconsistent with the typical funding for BSA audits.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the April 22, 2008 version are minor and do not alter our position.

- This bill would now require the BSA to perform a Performance and a Financial audit, the costs of which are to be reimbursed from the revenues collected from the operations surcharge imposed on vessels.

COMMENTS

The intent of this bill is to provide oversight and conduct an audit of the Board's operations. It would appear that the BTHA's roles in overseeing and promoting state commerce and transportation align with the Board's role in licensing pilots that safely navigate goods into the state. We note that neither the BTHA nor the Board have taken a position on this bill.

We oppose this bill unless amended because:

- It does not provide adequate time after the completion of the fiscal year to conduct a financial audit. We recommend that the October 1, 2009 financial audit be moved back to December 1, 2009.
- Establishment of two separate funds dedicated to training is not necessary when subaccounts can be established within the Board's primary fund to serve the same purpose. These provisions should be removed from the bill.
- Three reports on an annual basis regarding revenue and expenditures duplicates the annual budget process that the Board is already subject to. These provisions should be removed from the bill.

Analyst/Principal (0240) K. Shelton	Date	Program Budget Manager Todd Jerue	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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P. Wiggins

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ANALYSIS**A. Programmatic Analysis**

Existing law:

- Does not place the Board under the oversight of any state agency.
- Deposits all operational and trainee surcharges into the Board of Pilot Commissioners' Special Fund.

This bill would:

- Place the Board under the oversight of the BTHA.
- Require the BSA to conduct a financial and performance audit by October 1, 2009 and January 1, 2010, respectively.
- Require the BTHA to provide comments and recommendations on the above audits within six months of receipt.
- Require payment for any services provided to the Board by the BTHA from the Board of Pilot Commissioners' Special Fund.
- Establish the Pilot Trainee Fund and Pilot and Inland Pilot Continuing Education Fund to support the training and continuing education of Board pilots. Trainee surcharges currently deposited into the Board of Pilot Commissioners' Special Fund would be deposited into these new funds.

Sections 14.1 and 18.1 of this bill are joined to SB 1217 (Yee) and would only become operative if both bills are chaptered and this bill is chaptered last.

B. Fiscal Analysis

The BTHA estimates that they would require approximately \$1.0 million Board of Pilot Commissioners' Special Fund and 3.0 positions (one attorney, one AGPA, and one Assistant Secretary) ongoing to establish a memorandum of understanding with the Department of Fish and Game for investigative services, provide contracted fiscal services through the California Highway Patrol, review the Board's operations, and implement any necessary regulatory changes to provide adequate oversight. This estimate appears to be excessive given the relatively small size of the Pilot Commission (2 positions and contract support through the Department of Consumer Affairs and outside legal counsel). In addition, the identified level of oversight also appears to be redundant to currently budgeted activities, such as fiscal services provide by DCA and legal support provided by outside counsel. Lastly, the 2008-09 Budget Bill approved by both the Senate and Assembly provided funds for an AGPA position to support the Commission. For these reasons, we estimate that moving the Board under the oversight of the BTHA, would only require one position and approximately \$200,000 special funds. This funding level is also consistent with other Agency structures.

It is estimated that the audits conducted by the BSA would require approximately \$450,000 Board of Pilot Commissioners' Special Fund on a one-time basis. The Board's revenue would need to be increased by at least \$1.0 million on an ongoing basis to support these additional activities. There are adequate reserves to pay for the one-time audit costs. The Board's current revenue is \$2.3 million dollars. As these costs cannot be redirected within resources budgeted in 2008-09, an appropriation would be necessary to fund these activities. Absent an appropriation, the Board and BTHA may have to delay implementation of this bill until July 1, 2009.

Any request for resources as a result of this bill would be subject to review and approval through the annual budget process.

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	Code
8855/Bureau Audit	SO	No		--		--	C	\$450	0290
8530/Pilot Comm	SO	No		--	C	\$200	C	\$200	0290
9000/Reimburs	RV	No		--		--	U	\$450	0001
1200/Reg Tax&Licn	RV	No		--		--	U	\$200 - 1,000	0290

Fund CodeTitle

0001

General Fund

0290

Pilot Commissioners' Special Fd, Board